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### Fighting Working Poverty in Post-Industrial Economies

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**Eric Crettaz (2011), *Fighting Working Poverty in Post-Industrial Economies: Causes, Trade-offs and Policy Solutions*. Cheltenham: Edward Elgar Publishing. £65, pp. 252, hbk.**

NEIL FRASER

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'Big Society' will result in increased social inequalities and in an expected decline in prospects for an 'integrated and cohesive society'. In the face of the current socio-political climate, and the challenges that this poses for social cohesion, the book tries to end on a positive note, suggesting that progress on equality can be achieved at the local level. Although a welcomed approach, this seems like an arduous responsibility without the help of the national government.

*Promoting Social Cohesion: Implications for Policy and Evaluation* was published ten years after the civil unrest that occurred in the northern towns of Bradford, Burnley and Oldham in 2001 — events that catapulted the concept of community cohesion to the forefront of political, academic and media debates. The book's social cohesion approach remains highly relevant today, especially when considering the roots of last summer's civil disturbances. The first paragraph in chapter 10 states that, 'any attempt to achieve good relations between people from different backgrounds in the absence of a serious push on equality is destined to fail' (p. 207), and this book's focus on addressing structural inequality and endemic racism is key to understanding and promoting social cohesion.

## Reference

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This is a very well written study. It addresses the question of why those in work in rich countries can nevertheless be poor and what policies can fight working poverty. Working poverty is a problem which, as the author says, has been 'rediscovered' in recent years. The book uses cross-section international comparisons and reviews policy evaluations but has only very limited time-series analysis.

Working poverty is a complex concept, with poverty defined at a household level and work at an individual level. Crettaz calls the definitional issue for working poverty 'definitional chaos' but he does try to show the effect of different definitions. For example, for poverty he uses relative equivalised household income below 50% and below 60% of average disposable household income, tries household consumption expenditure rather than income, and uses the poverty gap concept rather than headcount of poverty. He usually defines working status as one hour or more of paid work in the reference week but at times as main activity status in the income reference period. The main data source is the Luxembourg Income Study, which usefully complements other comparative studies based on the EU Statistics on Income and Living Conditions (Fraser *et al.*, 2011) or the European Community Household Panel (Andress and Lohmann, 2008).

A particular insight that informs the work is that there are three distinct mechanisms through which households of workers become poor — low wage rates, low labour force attachment and high needs (number of children) relative to earnings. Crettaz seeks to demonstrate that the mix of these three mechanisms in a country depends on a country's welfare regime, which in turn influences the effectiveness of policies. It is notable that Crettaz's in-depth analysis of the mechanism 'low labour force attachment' links up in a timely manner

with poverty analyses produced from the EU (see European Commission, 2012). They use for 'low household work intensity' a similar definition to Crettaz's definition of low labour force attachment, which is having a low ratio over a year of actual work to full work potential performed by the head of household and his or her spouse. This covers households of only part-time workers, or of intermittent workers or of a single-earner couple.

Crettaz discusses which typology of welfare regimes is most appropriate for working poverty analyses, and settles on four welfare regimes, Social Democratic and Liberal (both of which seek to maximise employment though in very different ways), Conservative Corporatist (where breadwinners are protected) and Southern European (with highly regulated labour markets but low family benefits). The countries chosen to represent these welfare regimes are, respectively, Sweden, the USA, Germany and Spain. The comparative analysis in the book is based on these four countries, and there is useful discussion of the labour market in each, including for example the Hartz reforms in Germany, though the effect of the recent financial crisis is missing. The extent of working poverty is highest in the Liberal and Southern European countries in the sample. Low wage is important to working poverty in all the countries, low labour force attachment matters everywhere except Sweden, and a high child-to-adult ratio matters in Spain and the USA, with their good family policies, but not in the other two countries.

One chapter usefully discusses the implications of different policy approaches to working poverty – minimum wages, social transfers (family cash benefits and tax credits) and maximising labour force attachment, particularly via childcare services – and another one examines these approaches by means of statistical meta-analysis. This very valuable contribution is based on a review of all relevant articles published between 2000 and 2010 that use regression or micro-simulation techniques and samples of at least 1,000 households. For each policy approach, findings on poverty and employment effects are reported and they are also broken down by welfare regime to try to show which policies work in which institutional context.

Is employment promotion the best way to combat poverty, as widely assumed in EU and OECD policy discussion? Liberal regimes like the UK and US have a particular employment promotion focus but are not very good at keeping down poverty. Continental European regimes give much less focus to employment promotion but have lower working poverty. Countries like Germany and the Netherlands have nevertheless sought policies to increase employment of late. The effect on working poverty has been disappointing (although levels are lower than in the Liberal regimes). I would like more on why job growth might fail to reduce poverty, for example when poverty thresholds rise and single earners in poor households are left behind (see Marx, 2007). Having said that, the discussion here of the impact of such policies as tax credits, employment subsidies and childcare support in relation to welfare regime is sophisticated and insightful. One can learn much here about 'the interplay of markets (especially the labour market), the welfare state and families'.

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